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SUBJECT: NAJAF PRIVATE BANKERS DISCUSS REQUIREMENTS TO OPERATE BANKS

1. This is a PRT Najaf cable.

2. SUMMARY: PRT Leader and PRToff met with individuals representing five private banks at FOB Endeavor on January 28, 2008. The purpose of this initial meeting was to introduce PRToff and to discuss topics concerning local private bankers. Issues discussed included: combating security fears; operating with inconsistent electricity; lacking sufficient fuel for generators; improving Iraqi banking system; training employees; acquiring new equipment; and operating Automatic Teller Machines (ATM). END SUMMARY

3. PRToff (Banking and Financial Advisor Darrell Brown) introduced himself by saying he was here to initiate a dialogue about their concerns and how to address them as a team. Discussion centered on the most important obstacles impeding efforts to operate banks safely and efficiently. Their primary concerns are addressed below.

4. Several of the bankers stated they had no security protection. The IA and IP guard the state banks but are not available for the private banks. Consequently, their ability to transport and store cash is severely impaired. They are also concerned they will be kidnapped or robbed. Note: After the meeting, it was reported Governor Al'Tae promised to authorize banking staff to carry personal weapons.

5. Another concern expressed was that electricity was available for three hours a day on average. When asked about generators, they all replied they have them, but fuel is too expensive. Note: After the meeting, it was reported Governor Al'Tae promised to provide them with more electricity and fuel.

6. Several of the bankers complained the banking system is slow or non-responsive, because it is centrally run out of Baghdad. For example, one banker said it takes months to get approval to make a loan. This angers local customers and drives them to other means of financing. PRToff said he is aware of this problem and that efforts are underway locally and at the national level to improve this, but the solutions depend upon the political will to change and that this will take time.

7. Modernizing equipment and training employees was also discussed. Many banks are keeping records manually, or on outdated computers. In addition, many employees are unfamiliar with modern banking. PRToff said much of this issue can be addressed by training officers and employees in Iraq and possibly outside Iraq. He suggested one option could be developing training courses in conjunction with Kufa University.

8. One bright spot came when Director Hamid Abbas of Warka Bank spoke. He said his bank has an ATM, just recently implemented a Visa debit card program and can do international wire transfers via Western Union. PRToff Brown asked how many merchants in Najaf accept debit cards. Director Abbas replied only a few, but that efforts to bring more merchants into the system are underway. Director Abbas expressed interest in working on

placing ATMs in the Najaf Regional Airport, a top priority of Governor Al'Tae.

19. PRToff concluded the meeting, saying the opportunities for improvement were many, and that PRT Najaf is committed to assisting the bankers in any way possible, but that the primary responsibility in making banking work lies with them. They agreed. The next meeting was discussed, with general agreement to meet in one of the local banks to discuss moving and storing cash safely and training employees.

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